BISON
RESOURCES LTD.

1997 ANNUAL REPORT

Management

Bison Resources Ltd. was originally established as a Junior Capital Pool corporation and was listed on the Alberta Stock Exchange on November 6, 1997 under the trading symbol BIS.A.

On December 30, 1997 Bison closed its major transaction for Junior Capital Pool purposes by acquiring all of the outstanding shares of Lupine Investment Corporation (a private oil & gas company). Lupine's oil & gas assets consisted of minor working interests in a producing oil well at Joffre, Alberta,a producing gas wells at Manyberries, Alberta and at Hillsdown, Alberta. Total production net to Lupine is currently 22 BOE per day with further upside at Hillsdown where the Corporation has an interest in two shut in gas wells that are expected to be tied-in in the second quarter of 1998.

The goal of the management of Bison Resources Ltd. is to build a company which is positioned to be successful independent of changes in the economic climate, commodity pricing, current industry trends or the stage of growth of the company. Underlying all of Bison's corporate decisions will be the impact of those decisions on shareholder value and fair treatment for all shareholders. A successful company is founded on dedicated people with a vision, flexible business strategies and the persistence to follow through on a plan. The management of Bison believes that we have the key ingredients for success and look forward to the challenges ahead.

N Swagor

Nicolas S. Swagor
President

Auditors

We have audited the consolidated balance sheet of Bison Resources Ltd. as at December 31, 1997 and the consolidated statements of operations and deficit and changes in financial position for the period from incorporation on May 7, 1997 to December 31, 1997. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1997 and the results of its operations and the changes in its financial position for the period from incorporation on May 7, 1997 to December 31, 1997 in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Calgary, Canada April 22, 1998

CONSOLIDATED BALANCE SHEET

As at December 31	1997
ASSETS	
Current assets	
Cash	$ 673,199
Accounts receivable	57,602
Other	19,889
	750,690
Capital assets (note 3)	491,884
	$ 1,242,574
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	$ 16,916
Due on acquisition of Lupine (note 2)	301,008
	317,924
Due on acquisition of Lupine (note 2)	250,000
SHAREHOLDERS' EQUITY	
Share capital (note 4)	690,076
Deficit	(15,426)
	674,650
Subsequent events (note 7)	
	$ 1,242,574

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

D. G. Anderson,
Director

K. D. Dumba,
Director

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

Period from incorporation on May 7,1997 to December 31		1997
REVENUE		
Interest	$	838
EXPENSES		
General and administrative		16,264
Net loss being deficit, end of year	$	(15,426)
Net loss per share, basic	$	(0.01)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Period from incorporation on May 7, 1997 to December 31		1997
OPERATING		
Net income (loss)	$	(15,426)
Net change in non-cash working capital		(18,203)
		(33,629)
FINANCING		
Issue of share capital		750,000
Share issue costs		(59,924)
		690,076
INVESTING		
Due on acqusition of Lupine (note 2)		551,008
Acquisition of Lupine, net of cash acquired (note 2)		(532,736)
Additions to capital assets		(1,520)
		(534,256)
Increase in cash being cash, end of year		(673,199)

Cash is comprised of cash and short term deposits.

See accompanying notes to consolidated financial statements.

Incorporation and basis of presentation:

Bison Resources Ltd. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on May 7, 1997. These consolidated financial statements include the accounts of the Corporation's wholly-owned subsidiary, Lupine Investment Corporation.

1. Significant accounting policies:

(a) Capital assets:
The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized by cost centre. Such costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content.

The Corporation applies a "ceiling test" to capitalized costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Corporation's year end and the costs of unproven properties less impairment. Future net revenues are undiscounted and are calculated after deducting general and administrative costs, financing costs, income taxes and site restoration and abandonment costs.

Gains or losses on the disposition of oil and gas properties are not ordinarily recognized except under circumstances which result in a major revision of depletion rates.

Depreciation of furniture and office equipment is provided using the straight-line method based upon estimated useful lives at a rates of 15% to 25%.

(b) Interest in joint ventures:
Substantially all of the Corporation's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

(c) Future site restoration and abandonment costs:
Site restoration and abandonment costs are provided for over the life of the estimated proven reserves on a unit-of-production basis. Costs will be estimated each year by management in consultation with the Corporation's engineers based on current regulations, costs, technology and industry standards.

(d) Measurement uncertainty:
The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(e) Per share amounts:

Per share amounts are calculated using the weighted average number of shares outstanding during the year. Fully diluted per share calculations reflect the exercise of options and warrants at the later of the date of issuance or the beginning of the year. Anti-dilutive options and warrants are not included in the calculation.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Petroleum and natural gas properties and share capital are reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

2. Business Acquisition:

Effective December 30, 1997, the Corporation acquired 100% of the outstanding common shares of Lupine Investment Corporation ("Lupine") for total consideration of $551,008. The consideration, comprised of cash and common shares of the Corporation, is to be paid upon the satisfaction of the conditions of the Share Sale Agreement (the "Agreement"). On February 26, 1998 the Agreement was amended to reduce the total number of shares to be issued as consideration from 1,000,000 to 500,000. The acquisition has been accounted for using the purchase method as follows:

Allocated:		
Capital assets	$	490,364
Current assets (including cash of 18,272)		68,221
Current liabilities		(7,577)
	$	551,008
Cost of acquisition:		
Due on acquisition of Lupine:		
Cash	$	301,008
Common shares		250,000
	$	551,008

An officer and director of the Corporation controlling 17.2% of the outstanding common shares of the Corporation controlled 25% of the outstanding shares of Lupine prior to the completion of the transaction.

3. Capital assets:

Petroleum and natural gas properties and equipment	$	490,364
Furniture and office equipment		1,520
	$	491,884

As at December 31, 1997 the estimated future site restoration costs to be accrued over the remaining proved reserves are $13,210.

4. Capital Stock:

(a) Common shares issued:

	Number of Shares		Amount
Initial private capital	2,000,000	$	200,000
Public offering	1,000,000		200,000
Private placement flow-through shares	1,000,000		350,000
	4,000,000		750,000
Share issuance costs			(59,924)
		$	690,076

(b) The directors of the Corporation have approved a stock option plan whereby common shares of the Corporation will be available for purchase by directors, officers and management of the Corporation. At December 31, 1997 options have been granted to officers and directors of the Corporation to purchase 300,000 common shares at a price of $0.20 per share expiring on July 31, 2002.

(c) Pursuant to various escrow agreements, 3,429,800 common shares are being held in escrow as at April 9, 1998. The shares are to be released as to one third thereof on each of the first, second and third anniversaries of the completion of the acquisition of Lupine or earlier at the discretion of the ASC and/or ASE.

5. Income Taxes:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 44.6% to income before income taxes. The difference relates to the following items:

Statutory tax rate:		44.6%
Expected recovery	$	(6,900)
Non-deductible items		440
Benefit of losses not recognized		6,460
	$	–

As at December 31, 1997, the Corporation has a commitment to renounce $350,000 of income tax attributes associated with oil & gas exploratory and development activities.

6. Related Party Transactions:

Included in accounts receivable is $36,836 due from companies controlled by an office and director of the Corporation. Included in accounts payable is $16,116 due to companies controlled by officers and directors of the Corporation.

7. Subsequent events:

(a) On January 9, 1998, the Corporation issued 1,000,000 common shares at a price of $0.25 per share on a private placement basis.

(b) On April 1, 1998, 175,000 options to purchase common shares of the Corporation were granted to an officer and a director at a price of $0.50 per share expiring on April 30, 2003.

(c) Subsequent to December 31, 1997, the Corporation purchased a total of $327,000 of petroleum and natural gas properties. Of this total, $110,000 was purchased from a corporation controlled by an officer and director of the Corporation.

CORPORATE INFORMATION

Directors and Officers

David G. Anderson
Director and Executive
Vice President
Bison Resources Ltd.

David S. Burghardt
Director and Vice President
Engineering
Bison Resources Ltd.

Kevin D. Dumba
Director and Vice President
Finance
Bison Resources Ltd.

R. Bradley Hurtubise
Director
Bison Resources Ltd.

Barrie Regan
Vice President Exploration
Bison Resources Ltd.

Nicolas S. Swagor
Director and President
Bison Resources Ltd.

Head Office

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Calgary, Alberta

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Auditors

KPMG
Chartered Accountants
Calgary, Alberta

Bankers

Bank of Nova Scotia
Calgary, Alberta

Registrar & Listing Agent
Montreal Trust Company
Calgary, Alberta

Stock Exchange Listing

Trading Symbol "BIS.A"
Alberta Stock Exchange

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